

## Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 CAB-02 CIAE-00 COME-00 DODE-00

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FM AMEMBASSY ROME

TO SECSTATE WASHDC 9873

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E.O. 11652: N/A

TAGS: EAIR, IT

SUBJECT: CIVAIR - STATUS OF OUTSTANDING ISSUES BETWEEN ITALY AND US

1. IN RECENT DAYS EMBASSY HAS HAD OCCASION TO DISCUSS STATUS OF ITALY-US BILATERAL CIVAIR RELATIONS WITH OFFICIALS OF FOREIGN MINISTRY, CIVILAVIA AND ALITALIA. ALL OFFICIALS INDICATED CONCERN OVER CONTINUING UNRESOLVED OUTSTANDING ISSUES AND EXPRESSED DESIRE FOR EARLY RESUMPTION OF EFFORTS TO BREAK CURRENT DEADLOCK.

2. AS DEPARTMENT IS WELL AWARE, ITALIANS ARE PRESSING US ON TWO ISSUES:

(A) COTERMINAL RIGHTS FOR CHICAGO WITH BOSTON. ACCORDING TO ALITALIA (AND AS STATED BY ITALIAN SIDE IN MAY CONSULTATIONS), UNLESS THESE RIGHTS ARE OBTAINED, ALITALIA WILL HAVE TO TERMINATE ITS SERVICE TO BOSTON BECAUSE OF INSUFFICIENT TRAFFIC. THIS WOULD LEAVE ALITALIA WITH ONLY ONE POINT IN US, I.E. NEW YORK, WHICH WOULD NOT ONLY FURTHER IMBALANCE RESPECTIVE ITALIAN AND US AIR TRAFFIC BUT ALSO DIMINISH ECONOMIC ADVANTAGES OF ALITALIA'S OPERATIONS IN US. ONLY ALTERNATIVE WOULD APPARENTLY BE ITALY-MONTREAL-CHICAGO FLIGHTS, FOR WHICH ALITALIA ASSERTS IT HAS NECESSARY RIGHTS, BUT THIS UNSATISFACTORY TO ALITALIA BECAUSE OF REAL AND POTENTIAL TRAFFIC LOADS FROM/TO MONTREAL AND

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CHICAGO. ALITALIA IS ANXIOUS FOR FAVORABLE ACTION BY US BY

NOVEMBER ON COTERMINAL ISSUE SO THAT IT CAN MAKE NECESSARY ARRANGEMENTS TO BEGIN FLIGHTS IN THE SPRING.

(B) CAPACITY PROVISIONS. UK DENUNCIATION OF BILATERAL AIR AGREEMENT AND IMPOSITION OF CAPACITY LIMITATIONS ON NORTH ATLANTIC HAVE CAPTURED ATTENTION OF ITALIAN CIVAIR AUTHORITIES AND ALITALIA, WHO CAN BE EXPECTED TO WATCH DEVELOPMENTS WITH CLOSE ATTENTION. ITALIAN AUTHORITIES RECOGNIZE THAT DECISIONS BY US ON CAPACITY ( AND ON RELATED ISSUE OF NORTH ATLANTIC ROUTES) ARE UNLIKELY IN NEAR FUTURE. HOWEVER, THEY ARE PRESSING FOR SOME SORT OF COMMITMENT BY US TO REOPEN CAPACITY PROVISIONS OF ITALY-US BILATERAL AT UNSPECIFIED FUTURE DATE.

3. GOI'S RESPONSE TO OUR PRELIMINARY WINTER FILING (ROME 14142) SHOWS THAT THERE HAS BEEN NO MOVEMENT ON ITALIAN SIDE WITH RESPECT TO CHANGE OF GAUGE; SIMILARLY THERE HAS BEEN NO INDICATION THAT ITALIANS ARE PREPARED TO APPROVE INTRODUCTION OF 747-F. WHILE US HAS OTHER CLAIMS AGAINST GOI IN CIVAIR FIELD, THESE SEEM TO BE THE MOST IMMEDIATE ONES.

4. QUESTION IS WHERE WE (ITALY AND US) GO FROM HERE. CIVILAVIA INFORMALLY MENTIONED DESIRE FOR CONSULTATIONS IN ROME AROUND END OF OCTOBER; ALITALIA EAGER FOR RENEWAL OF DISCUSSIONS, PARTICULARLY WITH VIEW TO OBTAINING COTERMINAL RIGHTS FOR CHICAGO; AND FOREIGN MINISTRY SHARES THESE FEELINGS. ALL CLAIM GOOD INTENTIONS TO WORK TOWARD SOLUTIONS TO OUTSTANDING PROBLEMS DESPITE RECENT SERIES OF UNSUCCESSFUL CONSULTATIONS.

5. EMBASSY REMAINS CONCERNED OVER OUR INABILITY TO WORK OUT MUTUALLY ACCEPTABLE ARRANGEMENTS ON AT LEAST SOME CIVAIR ISSUES. WHILE WE DO NOT CONSIDER IT SERIOUS POSSIBILITY AT PRESENT, THERE CONTINUES TO BE TALK OF ITALY'S TAKING OPTION OF DENOUNCING THE BILATERAL. ITALIANS RECOGNIZE DISADVANTAGES TO THEM AND WOULD CERTAINLY NOT RUSH INTO SUCH ACTION, BUT SUCH ACTION IS NOT INCONCEIVABLE. DEVELOPMENTS RELATING TO UK-US NEGOTIATIONS WILL UNDOUBTEDLY INFLUENCE GOI IN THIS REGARD.

6. WITH REFERENCE TO ITALY'S EFFORTS AT MAY CONSULTATIONS TO WORK OUT "ONE FOR ONE TRADE" (I.E. COTERMINAL RIGHTS FOR CHANGE OF GAUGE) OR "TWO FOR TWO TRADE" (I.E. COTERMINAL LIMITED OFFICIAL USE

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RIGHTS AND SOMETHING ON CAPACITY FOR CHANGE OF GAUGE AND 747-F), WE BELIEVE THIS LINE OF APPROACH MIGHT OFFER BEST PROSPECTS FOR RESOLUTION OF SOME OF OUTSTANDING ISSUES, ALTHOUGH ANY ARRANGEMENT WOULD, OF COURSE, HAVE TO BE BALANCED BETWEEN ITALIAN AND US INTERESTS. KEY POINT WILL PRESUMABLY BE CAPACITY, WHILE GOI WAS UNWILLING TO TAKE UP US OFFER AT MAY CONSULTATIONS, WE WONDER WHETHER IT IS NOT POSSIBLE TO DEVISE MUTUALLY ACCEPTABLE LANGUAGE UNDER WHICH US AGREES TO RECONSIDER EXISTING CAPACITY

PROVISIONS IN BILATERAL AGREEMENT BUT WITHOUT COMMITMENT TO CHANGE.  
WE RECOGNIZE DELICACY OF THIS ISSUE AND INADVISABILITY OF  
ENTERING INTO UNWANTED COMMITMENT. NONETHELESS, WE WOULD RECOMMEND  
FURTHER EXPLANATION OF THE POSSIBILITIES. BEAUDRY

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